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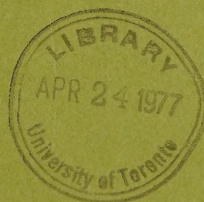
Good Notes



the federal government and social services

a background paper
prepared by the
national council of welfare

march 1978



national council
of welfare



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A Background Paper
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INTRODUCTION

In September 1977 the federal government proposed a new system for assisting provinces to finance their social service programs. Instead of the present cost-sharing arrangement by which the Government of Canada reimburses half the costs of certain designated services, the provinces were offered unrestricted per capita grants ('block-funds') based on national average expenditures for services. Most provinces have responded favorably to the federal offer and legislation enabling block-funding will soon be presented to Parliament.

The implications of this new approach to financing are far-reaching. When the offer is implemented, the federal government's capacity to influence social service programs, although already limited, will be even further diminished. Provincial governments, on the other hand, will have greater autonomy in designing service systems because they will have absolute control over large sums of money which are now only conditionally paid to them by the federal government (the condition being that the money be spent on designated services). Most provinces will see substantial gains in the amount of federal money they receive; a couple, however, will experience reductions.

Serious questions have been raised about the long-term consequences of unrestricted grants for the improvement and expansion of services and for the establishment of national minimum standards. Concern has been expressed as well about the use to which some provinces will put the federal funds - especially provinces which now spend below the national average and which accordingly will receive sudden increases in federal grants.

The National Council of Welfare shares these concerns. The uneven standard of services from one part of Canada to another cannot be fully explained by regional and demographic differences nor by the varying financial resources of the provinces, important

though these factors are. The quality and quantity of social services reflect, in large measure, the priority which provincial governments attach to those services. Clearly some provinces give far less priority than others. The guarantee of federal funds which are not directly related to expenditures makes it much easier to fail to expand social service budgets, or even to cut them back, because - unlike under the existing cost-sharing system - there will be no reduction in federal grants. Block-funding presents the danger that interprovincial disparities in services will grow and that citizens of provinces whose governments assign a low priority to social services will be denied the expansion and improvement which are needed.

Unfortunately questions of improving the quality of social services have been but one part of the decision to switch to block-funding. Of equal or even greater significance to the federal and provincial governments are issues of the constitutional division of powers, the control of revenues, and the role which the federal government can or should play in an area of provincial responsibility. The importance of such matters at this time in Canada's history, and the fact that block-funding offers an apparently acceptable solution for the area of social services, may have made the adoption of the new approach to financing unavoidable.

In light of the risks of block-funding, community groups, social agencies, churches and all the other organizations concerned about social services must know what the financing plan means and how it will operate. Once block-funding is implemented, it will be up to these organizations to monitor the actions of their provincial governments and to lobby for much-needed growth and improvement in services.

This paper presents the basic information required to understand the block-funding proposal. The discussion consists of three parts. The first looks at the existing cost-sharing

arrangement under the Canada Assistance Plan. This is followed by a description of the federal-provincial consultations on social services which began in the social security review and led first to Bill C-57, the Social Services Act, and then to the block-funding proposal. The last section presents the essential features of the block-funding offer itself.

COST-SHARING AND THE
CANADA ASSISTANCE PLAN

Under the constitution, responsibility for social services rests exclusively with the provinces. Until the mid-sixties this constitutional division of powers meant that provinces not only decided which services they would provide but also bore the total cost of those services. The only exceptions (in terms of financing) were services aimed at the vocational rehabilitation of the disabled, for which the federal government has been sharing half the bill since 1952.

The increasing awareness during the 'sixties of the social and economic consequences of poverty led to a marked growth in social services aimed at improving the well-being of the poor. As these social service programs multiplied, their costs became an ever greater burden on provincial treasuries. The willingness and capacity of provincial governments to bear the costs varied widely from one part of Canada to another. The poorer provinces in particular could not afford social service programs that responded adequately to the needs of their citizens.

Faced with growing regional disparity in the level and quality of services - and motivated, as well, by the desire to influence all provinces, rich and poor, to improve their service systems - the federal government, with the approval of the provinces, decided to assist in the financing of provincial social services. In 1966 Parliament enacted the Canada Assistance Plan (C.A.P.) which committed the Government of Canada to cost-share (pay half the bill for) certain services provided by provinces to low-income families and individuals.

In keeping with the legislation's focus on the poor, the services covered under C.A.P. were described as 'welfare services'.

The Act defined these as "... services having as their object the lessening, removal or prevention of the causes and effects of poverty, child neglect or dependence on public assistance."

As specific types of services that would be cost-shared, the Act listed rehabilitation, casework, counselling, assessment and referral, adoption, homemakers, day care, and community development. Eligible services could be provided directly by a provincial or municipal government, or they could be purchased by a province from a private agency. The Act specifically excluded from cost-sharing services related in whole (or mainly) to education, recreation or corrections.

C.A.P. did not restrict the provinces' exclusive authority for deciding what services would be provided and how they were to be delivered. The federal government, however, now had an indirect means for influencing the shape of provincial programs: having part of the bill paid by Ottawa would be an inducement to expand existing services or move into new areas, while the refusal to cost-share a particular service would be a deterrent.

In setting conditions on cost-sharing the federal government has always had to walk a careful line and not appear to be trying to force provinces to provide a particular service. Beyond offering to cost-share, it can only suggest that some service might be needed (and this through the indirect route of having consultants on staff who can work with the provinces to develop or improve such a service if the provinces wish). Provinces, however, have often felt that cost-sharing conditions have impinged on their jurisdiction and have forced them to distort their programs to meet federal criteria.

Judged in terms of its original objective and the narrow view of social services in the 'sixties, C.A.P. has been a reasonable success. Although social services are still not adequate anywhere in Canada, C.A.P. has led to a significant improvement in services,

particularly in economically disadvantaged regions. Moreover, federal assistance, both financial and consultative, has been in part responsible for the willingness of some provinces to innovate and to develop new kinds of services.

By the early 'seventies, however, the limitations of C.A.P.'s 'welfare service' provisions increasingly became a road-block to further improvements in service programs. The major problem was the restriction on the persons for whom services would be cost-shared.

C.A.P. will only pay for services to two categories of persons: first, those in need as determined by a provincially administered needs-test (essentially welfare recipients); and, second, "persons who are likely to become persons in need unless such services are provided". In other words, C.A.P. only pays for services to the poor. The second category can, and occasionally does, go slightly beyond this, but the definition can never be extended to cover a substantial portion of non-poor people.

As provincial social service systems have grown, they have begun to include services for all people, poor and non-poor. Day care, meals-on-wheels, family planning, counselling and many other social services are required by most people sometime in their lives, regardless of their income. While it may be reasonable to charge a fee for some services to those who can afford to pay, it doesn't make sense to deny them the service simply because they aren't poor. Yet C.A.P.'s restriction to the poor would not permit the extension of federal cost-sharing for such improvements. The provinces, therefore, began to call for a more comprehensive means of financing social service programs.

THE SOCIAL SECURITY REVIEW
AND THE SOCIAL SERVICES ACT

The federal government's Working Paper on Social Security, which launched the federal-provincial social security review in April 1973, partially responded to the provinces by proposing an examination of certain types of social services - what it described as the "social and employment services required to make the employment and income supplementation strategies fully effective and efficient ... training, counselling, placement, rehabilitation, special work situations, homemaker and child care services".

A working party of federal and provincial officials was struck to study social services. At the insistence of the provinces, the working party's mandate was broadened at the outset to include all services, not just the limited range mentioned in the Working Paper. The terms of reference of the working party called for an examination of "the appropriate role of preventive, rehabilitative, protective and developmental services in a revised social security system."

The working party's report was completed in late 1974. It analyzed existing provincial social service programs and the C.A.P. cost-sharing mechanism, and discussed the major issues confronting the service system.

Most of the questions discussed in the working party's report related to the content of a social service system - an area, as we've already noted, of exclusive provincial responsibility. The report made one thing very clear, however: for provinces to achieve the kind of service system which the working party thought necessary, a new formula for splitting the costs between the federal and provincial governments had to be found. C.A.P. would not suffice, no matter how it might be amended.

The recommendation brought action. In early 1975 the federal government proposed new cost-sharing legislation - a Social Services Act - that would replace the 'welfare services' provisions of C.A.P. as well as the Vocational Rehabilitation of Disabled Persons Act. The new Act would totally separate federal contributions for social services from contributions towards social assistance (welfare) programs.

Detailed negotiations between the federal and provincial governments about the terms of the Act extended over a two-year period. The outcome was Bill C-57 which was tabled in Parliament in June 1977.

The Bill spelled out the expanded categories of services that would be cost-shared and the federal government's conditions for contributing towards their cost. It defined social services as

services having as their object enabling persons to lead useful, satisfying and independent lives, preventing personal and social conditions that cause disadvantage or disability, raising individuals, families and groups to a higher level of participation in social and economic life, protecting those whose personal or social well-being is at risk, or developing individual, group and community capacity for growth, enrichment and social participation ...

Shareable services included:

- information and referral;
- crisis intervention;
- family planning;
- protective, preventive, and developmental services for children (such as foster homes, group homes, adoption and headstart);
- day care;
- rehabilitation and transportation for the disabled;

- homemakers, meals-on-wheels, and other 'home support services' for adults, especially the aged and the disabled;
- 'social integration centers' (such as halfway houses or friendship centers);
- counselling services;
- employment-related services;
- community development and community-oriented preventive services.

The Bill excluded from cost-sharing services related primarily to education, adult corrections, health, recreation, social assistance or manpower (each of which is already covered under other legislation).

The costs to be split between the federal and provincial governments under the Bill would have included all the administrative expenses related to delivering services (e.g., staff salaries), staff training costs, out-of-pocket expenses of volunteers, and data-collection costs. Since many social services are provided by private agencies which are funded or subsidized by the provinces and municipalities, these subsidies would have been treated exactly the same as expenses incurred directly by a province - thus encouraging the continued use of private voluntary agencies in the social service system.

For a few types of services (information and referral, crisis intervention and family planning), the Bill placed no restrictions on who might use the service and no requirement for a fee. For all the other services, the Bill and its proposed regulations imposed some conditions on use. In most instances these were not much more than logical consequences of the definition of the service itself (to benefit from a transportation service for the disabled, for example, a person would have to have a mental or physical disability). However in some cases (social integration services, for example), need for the service had to be professionally assessed.

The Bill specified that an income-tested fee should be charged for certain types of services - day care for children and adults, homemaker and related services, meals-on-wheels, counselling services and employment-related services. These 'user charges', as they were called, would have varied according to income, ensuring that low-income families would receive the service at no or very modest cost.

The proposed regulations to the Social Services Act contained guidelines for user charges. These set a limit to the federal government's financial contribution for providing a service to an individual of a particular income level. A province, however, could have set a higher or a lower fee than the guidelines. It could even have charged no fee at all and it would still have received some federal assistance. Federal contributions would have been based on actual provincial expenditures for a service, less the amount that would have been collected had the guidelines been followed.

In spite of its loose conditions, the Social Services Act would have given the federal government a means, albeit a limited one, for influencing provincial social service systems. The federal government, for example, could try to encourage the development of certain types of services by extending eligibility for cost-sharing. (Bill C-57, in fact, identified three priority areas: alternatives to institutional care for the aged and disabled; rehabilitation and support services for the handicapped; and day care services for children.) The federal government could also influence, through its cost-sharing restrictions, some aspects of the delivery of services such as eligibility conditions and fees. (A province, for example, might be reluctant to charge less than the user charge guideline because the difference would not be cost-shared.)

Moreover, because of the nature of cost-sharing, the federal government could be assured that its funds were going to

pay for social services alone: federal contributions, after all, were calculated on the basis of actual provincial expenditures for such services. The amounts of money, it should be noted, were substantial: an estimated \$616 million in federal contributions in the first full year of operation of the Act, of which \$132 million would be new funds not otherwise available under C.A.P.

Prior to the introduction of Bill C-57 in Parliament, all the provinces had agreed to its terms for cost-sharing. During the summer of 1977, however, Quebec and at least two other provinces unexpectedly expressed objections to Bill C-57. The issue of the constitutional division of powers was raised, and the Bill was criticized as an unwarranted intrusion by the federal government into an area of exclusive provincial jurisdiction.

At the same time as these jurisdictional issues were being raised, administrative difficulties were appearing. For example, the dividing lines between social services and other services (health, recreation, education, etc.) were proving very hard to draw. Elaborately detailed interpretations would often be necessary and even these might not always be satisfactory. Calculations of federal contributions, especially in cases where a province did not follow the user charge guidelines, would be complicated and might involve extensive federal scrutiny of provincial programs.

The combination of jurisdictional objections and administrative problems led, during the summer of 1977, to reconsideration of Bill C-57 and its cost-sharing approach. In September 1977 the federal government proposed a different and simpler method of financing social services, a method that had already been applied with considerable success to the financing of health services - unconditional grants to the provinces.

THE BLOCK-FUNDING OFFER

Under the block-funding offer, each province will receive a per capita cash payment from the federal government based on the national average federal contribution for social services under the Canada Assistance Plan and the Vocational Rehabilitation of Disabled Persons Act in a 'base year' (the 1977-78 fiscal year) plus an extra \$5 to cover the expansion of services anticipated under Bill C-57. To compensate for inflation, the payment will be increased from year to year according to changes in the Gross National Product.¹ Block-funding will take effect retroactive to April 1, 1978; however, the 'extra \$5' part of the formula won't come into effect until a year later.

Individual provinces may currently be receiving considerably more or less than the national average for social services.² In the present fiscal year, for example, the national average federal contribution is \$22 per Canadian. However Ontario, which spends below the national average for cost-shareable social services, receives \$16 for each of its citizens while P.E.I., which spends well above the average, currently receives \$29 per person from the federal government.³ An immediate shift to a payment formula based

¹ The escalator, technically, is based on a three-year sliding average of Gross National Expenditure.

² Estimates of federal per capita contributions by province are as follows: British Columbia \$22, Alberta \$17, Saskatchewan \$20, Manitoba \$28, Ontario \$16, Quebec \$32, New Brunswick \$17, Nova Scotia \$17, Prince Edward Island \$29, and Newfoundland \$19.

³ It should be noted that these figures, based on average contributions under C.A.P. and V.R.D.P., do not represent total provincial expenditures on services since there are some social services for which no cost-sharing at all is available.

on national average contributions would mean sudden loss of revenues for provinces spending above the average (with the possibility of a resulting deterioration in services) and a windfall 'profit' to provinces spending below the average. To lessen these consequences, the federal government has proposed a ten-year phasing-in period during which grants to each province will be gradually equalized to the per capita national average.

In spite of this gradual equalization, any province spending below the national average (and this includes Alberta and Ontario) will nonetheless see increases in federal contributions. Because of the 'extra \$5' built into the per capita payment starting in 1979, sizeable increases will begin in the second year of block-funding. Provinces spending above the national average, however, will experience only small increases in federal assistance or, in some cases, eventual reductions.

What a province receiving an increase in federal funds actually does with its extra money is up to the provincial government. Hopefully the additional funds will support expanded and improved social services, but they need not necessarily go for this purpose. The funds could, in fact, be spent on anything the province chooses. By the nature of block-funding, there can't be a condition that the federal grants must be spent on services (otherwise we're back to some form of cost-sharing). The per capita payment would be made to provinces regardless of their actual expenditures on social services.

Only three conditions are attached to the block-funding offer: 1) Provinces must guarantee that eligibility for social services will not be dependent on any minimum period of residence in the province. 2) Provinces must ensure that the federal government's contribution is acknowledged in informational literature relating to services. 3) Provinces must provide certain types of cost and program data on social services to the federal government.

It should be stressed that cost-sharing will be retained for social assistance (welfare) programs under the Canada Assistance Plan.

Block-funding of social services ensures the provinces complete flexibility and autonomy in designing and administering their service programs. Federal funds will come with no restrictions and no strings. There won't be types of services which are eligible for federal assistance and others which aren't, nor will there be federal conditions on the use of services or user charge guidelines. All these indirect means by which the federal government can influence the development of certain kinds of services will be eliminated.

Having responsibility for social services concentrated exclusively at one level of government could enable better planning of social service systems. At the least it will put an end to the use of jurisdictional limitations and cost-sharing restrictions as excuses for rejecting proposals for expanding or improving services. Decisions on social services will rest clearly and undeniably with the provinces.

Block-funding, however, will take away one of the key arguments that has been used by community groups, social agencies and welfare ministers in trying to persuade provincial cabinets to increase expenditures - the fact that under cost-sharing the federal government will pick up half the cost of any increase, and that federal contributions will only come if they are matched by equal provincial spending. Under the new financing arrangement, federal contributions will not grow or shrink according to what a province spends. Asking a province to spend an extra dollar on social services will mean increasing provincial spending by a full dollar, not 50¢ like under C.A.P. And cutting spending by a dollar will likewise mean saving the full dollar, not just 50¢. It may become

much more difficult to persuade provincial cabinets to increase spending on services, while at the same time it may become more attractive to them to restrain or reduce spending.

The other major problem with block-funding is the use of a uniform nationwide formula which does not take into account the varying needs for social services in each province. Even if all provinces attached the same priority to social services, provided the same selection of services and had the same revenues available, per capita expenditures on social services would still differ from one province to the next. The reason is that the groups which require the most services - the aged and the poor - vary as a proportion of the population from region to region. Provinces such as Prince Edward Island and Manitoba, which combine high proportions of both these groups, will inevitably have higher per capita costs for services. The block-funding formula, however, ignores this crucial factor. The result could well be greater regional disparity in the quantity and quality of services.

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NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council includes past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare have dealt with income security, taxation, the working poor, children in poverty, single-parent families, social employment, social services, community organization, nutrition, legal aid/legal services, low-income consumers, poor people's groups and poverty coverage in the press.

*On peut se procurer des exemplaires en
français de toutes les publications du
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